

<b>Report to:</b>	Cabinet	<b>Date:</b> 17 November 2021
<b>Subject:</b>	The Council's Financial Position as at 30 <sup>th</sup> September 2021	
<b>Report of</b>	Leader and Cabinet Member for Finance and Growth	

## Summary

1. This report outlines the forecast financial position of the Council at the end of 2021/22 based on the information known at the end of the second quarter, 30<sup>th</sup> September 2021. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending. This report also provides the mid-year Treasury Management Update.

## Recommendation(s)

2. To note the forecast overspend of £2.634m within the revenue budgets at quarter 2 and the need for Directorates to work with their finance support to identify mitigating actions to ensure services work within their budgets;
3. To note the use of the Covid Outbreak Management Fund and departmental reserves in line with the criteria and one off departmental priorities;
4. To note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account;
5. To approve the write off of outstanding debts owed by the former Bury PCT totalling £247,004.57;
6. To approve the adjustments to the capital programme for new capital grants; and
7. To note the Treasury Management Mid-Year Report.

## Reasons for recommendation(s)

8. To ensure the Council's budgetary targets are achieved.

## Alternative options considered and rejected

9. This report is in accordance with the council's financial procedure regulations.

## **10 PURPOSE OF THE REPORT**

- 10.1 This report outlines the forecast financial position of the Council at the end of 2021/22 based on the information known at the end of the second quarter, 30<sup>th</sup> September 2021. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

## **11. Background**

- 11.1 These are unprecedented times for LA budgets with huge volatility and uncertainty caused by Covid. This is affecting all LAs. The Government's financial support last financial year was welcome but was one-off funding which spanned the 2020/21 and 2021/22 financial years. We expect to have ongoing resource gaps caused by additional services, additional demand on existing services and reductions in income. It should be noted that the Covid financial uncertainty is on top of the pre-existing uncertainties in the future of Adult Social Care funding and the Fair Funding Review.
- 11.2 In response to the COVID-19 crisis the government made significant funding available to Bury Council in the 2020/21 financial year to cover additional costs that were incurred, or where income was not achieved as a result of the pandemic. The funding allocations of £10.523m which were not utilised last financial year were carried forward into 2021/22 via reserves in accordance with the guidance and various individual grant conditions. These funds are available to contribute to ongoing costs in the 2021/22 financial year and are restricted to specific eligible expenditure which meet the criteria of the individual grant conditions.
- 11.3 As the nation and the Borough start to emerge from the pandemic there is lots for the Council to do to start to recover. This includes recovery of the savings and efficiency programmes that the Council put in place within its 2020/21 budget, some of which were unachievable last financial year and have therefore, been carried forward and added to this financial year's programme. The finance regime and budget reset of 2020/21 means that all Council budgets were redressed to be appropriately resourced, and it is a requirement upon all budget holders to manage their services within their budgets and where pressures emerge they identify mitigations from other areas.

11.4 There are a number of overspends identified within this report at quarter two and Finance are working with Directorates to identify mitigating actions.

## 12. FINANCIAL OVERVIEW – REVENUE

12.1 The forecast out turn position is set out in Table 1 below and shows a forecast overspend at quarter 2 of £2.634m. Work is taking place between Directorates and finance to identify mitigating actions to bring budgets back into line.

**Table 1**

Directorate	Approved Budget	Revised Budget	Forecast	(Under)/OverSpend
	£m	£m	£m	£m
One Commissioning Organisation	79.171	79.171	78.969	(0.202)
Children and Young People	40.214	40.061	40.392	0.331
Operations	18.007	18.007	18.202	0.195
Corporate Core	11.110	11.533	11.527	(0.006)
Business, Growth and Infrastructure	2.977	2.727	2.836	0.109
Housing General Fund	0.705	0.705	1.288	0.583
Non Service Specific	19.667	19.647	21.272	1.625
<b>TOTAL</b>	<b>171.851</b>	<b>171.851</b>	<b>174.486</b>	<b>2.634</b>

### One Commissioning Organisation – Underspend £0.202m

**Table 2**

2021/22 Forecast Revenue Position – as at 30 September 2021			
One Commissioning Organisation	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Adult Social Care Operations	8.261	8.061	(0.200)
Care in the Community	42.398	42.549	0.152
Commissioning & Procurement	16.251	16.213	(0.038)
Public Health	10.756	10.756	0
Departmental Support Services	1.427	1.311	(0.115)
Workforce Modernisation	0.078	0.078	0
<b>TOTAL</b>	<b>79.171</b>	<b>78.969</b>	<b>(0.202)</b>

The OCO budget is forecast to underspend by £0.202m. The material variances by OCO service areas are analysed below.

**Adult Social Care Operations** - The Adult Social Care Operations budget is forecasting a £0.200m underspend which is largely due to staffing underspends within Choices for Living Well (Killelea), Assessment & Care Management and the Integrated Neighbourhood Team Hubs. The services are working hard to fill these vacancies as they are having a detrimental effect on our ability to maintain good service provision

**Care in the Community** - The Care in the Community budget is forecast to overspend by £0.152m. The Care in the Community budget is a high value demand led budget, consequently there is an ongoing risk that any increased client activity due to Covid, Transitions, New Clients or Increased needs of existing client cohort will lead to increased pressure on this budget. The Qtr 2 forecast captures the Infection Control (£1.245m) and Rapid Testing (£0.856m) grant programmes, both of which are a net nil cost to the care in the Community budget. A further extension of the Infection Control and Rapid Testing grant has been announced since Qtr2 reporting was finalised, Bury councils additional allocation is £1.385m.

The Hospital Discharge Programme (HDP) which helps cover some of the cost of post-discharge recovery and support services, rehabilitation and reablement care following discharge from hospital funding is contained within this service to the value of £3.3m. These costs are fully reimbursed by the NHS.

### **Children and Young People – Overspend £0.331m**

**Table 3**

2021/22 Forecast Revenue Position – as at 30 September 2021			
Children and Young People Directorate	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Children's Commissioning	1.289	1.302	0.013
Early Help and School Readiness	2.492	2.323	(0.168)
Education and Skills (non-schools)	12.272	12.221	(0.050)
Social Care and Safeguarding	24.008	24.545	0.537
<b>TOTAL</b>	<b>40.061</b>	<b>40.392</b>	<b>0.331</b>

The Children and Young People Directorate is currently forecast to overspend by £0.331m. The main variances are:

**Early Help & School Readiness** - forecast underspend of (£0.168m) - due to use of available grant funding, plus efficiency savings from delays in recruiting to vacant posts and cover for an internal secondment.

**Social Care and Safeguarding** - forecast overspend of £0.537m is made up of the main variances as follows:

Approval for the use of COMF funding to support the budget pressure in relation to additional agency staff has reduced departmental overspend. Reserves have also been identified to mitigate further pressures within Children's Social Care.

The COMF funding is mitigating the cost of an additional project team of agency workers recruited for 6 months to alleviate caseload pressures allowing more support to be given to the newly qualified social workers and agency social workers required for maternity and vacancy cover across the Safeguarding Teams (£0.641m) and the Initial Response Team (£0.380m).

The Residential and IFA placement budget looks set to overspend by £0.724m based on the current number and complexity of looked after children, the largest changes from last month are due to 2 placements in mother and baby units, 2 placements in secure accommodation and a transfer from an Independent Foster Agency (IFA) into a residential placement.

Work will be undertaken during quarter 3 to further understand these issues and to identify mitigating actions, including developments being considered by CYP Senior Leadership Team considering actions within all four Divisions of the Department Operations Directorate – Forecast Overspend £0.195m

**Table 4**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2021			
Operations	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Wellness Operations	3.404	3.421	0.017
Engineers (including Car Parking)	0.262	0.323	0.061
Street Scene	4.937	5.016	0.079
Commercial Services	(0.251)	(0.302)	(0.051)
Waste, Transport and Stores	6.442	6.487	0.045
Health & Environmental Protection	1.534	1.567	0.033
Operations Senior Management	1.569	1.602	0.033
Corporate Landlord	0.109	0.087	(0.022)
<b>TOTAL</b>	<b>18.007</b>	<b>18.202</b>	<b>0.195</b>

The Operations Directorate is forecasting an overspend of £0.195m, which is net of any Covid related variances that are to be met by the various grants receivable. The material variances within Operations are as follows:

**Engineers** – an underspend due to Staffing vacancies (£0.093m) more than offset by

Parking Enforcement Contract savings not yet achieved (£0.145m)

**Street Scene** - the overspend is largely due to Highways income loss from staff diverted to support Waste operations (£0.065m)

**Commercial Services** – the underspend is due to extra income from increased levels of service in Cleaning and Caretaking (£0.050m)

**Waste & Transport** – the overspend is largely due to Under recovery of income within the Transport Workshop £0.045m

**Corporate Landlord** – the Underspend is due to Architectural Services - staffing vacancies (£0.158m) and Admin Buildings - pressures on rates & cleaning budgets £0.136m.

**Corporate Core and Finance Directorate - Underspend £0.006m**

**Table 5**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2021			
Corporate Core and Finance	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Corporate Core	5.561	5.915	(0.035)
Corporate Core Finance	5.550	5.620	0.029
<b>TOTAL</b>	<b>11.533</b>	<b>11.527</b>	<b>(0.006)</b>

Corporate Core and Finance are forecast to underspend by £0.006m

**Business, Growth and Infrastructure – Overspend £0.109m**

**Table 6**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2021			
Business, Growth and Infrastructure Directorate	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Economic Regeneration & Capital Growth	1.429	1.36	(0.103)
Housing Needs & Options	1.298	1.510	0.212
<b>TOTAL</b>	<b>2.977</b>	<b>2.836</b>	<b>0.109</b>

The Business, Growth and Infrastructure Directorate is currently forecast to overspend by £0.109m as a result of:

**Economic Regeneration and Capital Growth** - the forecast underspend of £0.103m is due to vacant posts in the Senior Management Team.

**Housing Needs and Options** - the forecast overspend of £0.212m. There is a savings target for Housing Needs and Options of £0.250m which is part of the restructure which is currently in progress. These will only be partially achieved due to the part year implementation and the one-off severance costs.

Work is underway to realign the budgets following the restructures this will result in changes between the two divisions. There is also an urgent need to identify how the additional transformation stretch targets applied as part of the BGI phase two restructure will be achieved.

### **Housing General Fund – Overspend £0.583m**

**Table 7**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2021			
Housing General Fund	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Housing General Fund	0.705	1.288	0.583
<b>TOTAL</b>	<b>0.705</b>	<b>1.288</b>	<b>0.583</b>

The Housing General Fund overspend of £0.583m is due to a forecast increased contribution to the bad debt provision (£0.156m) this is in relation to reclaiming overpayments of housing benefit from individuals, net Housing Subsidy (previously known as housing benefit) as a consequence of increased number of claimants (£0.431m) offset by minor underspends (-£0.004m).

### **Non Service Specific – Overspend £1.625m**

**Table 8**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2021			
Non-Service Specific	Approved Budget	Forecast	(Under) / Over spend
	£m	£m	£m
Accumulated Absences	(0.650)	(0.650)	0.000
CAR Lease Salary Sacrifice	(0.025)	(0.025)	0.000
Chief Executive	0.373	0.373	0.000
Corporate Management	1.605	1.605	0.000
Cost of Borrowing	8.834	8.834	0.000

Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.100	0.000
Pension Service Costs	(4.992)	(4.992)	0.000
GMWDA levy	13.815	13.815	0.000
Manchester Airport	0.265	0.265	0.000
Passenger Transport Levy	13.650	13.650	0.000
Persona Dividend	(0.200)	(0.200)	0.000
Town of Culture	(0.855)	(0.855)	0.000
Townside Fields	(0.058)	(0.058)	0.000
Provisions / Reserves	(13.726)	(12.101)	1.625
<b>TOTAL</b>	<b>19.647</b>	<b>21.272</b>	<b>1.625</b>

Non Service Specific budgets are mainly forecast to be on budget with the exception of unachieved savings targets. Many of the areas do not see significant movement during the year.

Transformation savings - schemes are progressing in terms of mobilisation this financial year but showing a forecasted underachievement after various mitigations and substitute schemes of £975k and it will be 2022/23 before they deliver their full year effect.

Savings targets which weren't achieved last financial year have been rolled forward and currently £0.650m is forecast as unachieved.

### 13. Delivery of the Savings Plan

Planned savings of £8.056m are included in the 2021/22 revenue budget. Of these £6.359m are forecast to be delivered with the remaining £1.697m requiring further investigation. The biggest single programme is the £1.5m transformation programme and whilst schemes are progressing in terms of mobilisation this financial year it will be 2022/23 before they deliver their full year effect. Work is ongoing to quantify what will be delivered this financial year and mitigations and substitute schemes have been developed to compensate in part. At quarter 2 the current forecast is that £525k of schemes and mitigations will be delivered this financial year leaving a shortfall of £975k against the original plans. A summary of all of the Councils savings is set out in the table below.



**Table 9**

<b>Assessment of 2021/22 Cabinet Agreed Savings</b>				
<b>Directorate</b>	<b>Description</b>	<b>2021/22 Target (£m)</b>	<b>2021/22 Saving Forecast (£m)</b>	<b>Saving Underachieved/(Overachieved) in 2021/22</b>
One Commissioning Organisation	LD Care Packages & Placement's	0.150	0.198	-0.048
One Commissioning Organisation	MH Care Packages	0.169	0.169	0.000
One Commissioning Organisation	Low-Cost Care Packages	0.478	0.478	0.000
One Commissioning Organisation	Persona Contract	1.000	0.797	0.203
One Commissioning Organisation	LD Supported Living	0.050	0.077	-0.027
One Commissioning Organisation	Care at Home Pricing Structure	0.200	0.000	0.200
One Commissioning Organisation	Provider Fees	1.187	1.187	0.000
One Commissioning Organisation	Debt Recovery	0.100	0.100	0.000
Public Health	Efficiencies	0.040	0.040	0.000
<b>One Commissioning Organisation &amp; Public Health Sub Total</b>		<b>3.374</b>	<b>3.046</b>	<b>0.328</b>
Children and Young People	Efficiencies & Transformation	0.696	0.570	0.126
Children and Young People	Placements	0.300	0.334	-0.034
Children and Young People	Contracts / Commissioning	0.220	0.250	-0.030
<b>Children and Young People Sub Total</b>		<b>1.216</b>	<b>1.154</b>	<b>0.062</b>
Operations	Street Light Dimming	0.020	0.020	0.000
Operations	Closure of Civic Venues	0.132	0.000	0.132
Operations	Review of Waste Services and Fleet Rationalisation	0.237	0.237	0.000
Operations	Leasing	0.135	0.135	0.000
Operations	Capital Equipment Leasing	0.035	0.035	0.000
<b>Operations Sub Total</b>		<b>0.559</b>	<b>0.427</b>	<b>0.132</b>
NSS	Apprentice Levy	0.239	0.239	0.000
NSS	Corporate Management Initiatives	0.200	0.200	0.000
NSS	Bury MBC Townside Fields	0.058	0.058	0.000
NSS	Car Lease Salary Sacrifice Scheme	0.025	0.025	0.000
<b>Non Service Specific Sub Total</b>		<b>0.522</b>	<b>0.522</b>	<b>0.000</b>
Corporate	Tameside Pension Contributions	0.075	0.075	0.000
Corporate	Apprenticeship Corporate Budget	0.530	0.530	0.000

Corporate	Close Prestwich cash office	0.030	0.030	0.000
<b>Corporate Sub Total</b>		<b>0.635</b>	<b>0.635</b>	<b>0.000</b>
Business, Growth & Infrastructure	Housing Options	0.250	0.050	0.200
<b>Business, Growth &amp; Infrastructure Sub Total</b>		<b>0.250</b>	<b>0.050</b>	<b>0.200</b>
Authority Wide	Transformation	1.500	0.525	0.975
<b>Authority Wide Sub Total</b>		<b>1.500</b>	<b>0.000</b>	<b>1.500</b>
<b>Total</b>		<b>8.056</b>	<b>6.359</b>	<b>1.697</b>

A savings target of £4.162m was included in the 2020/21 revenue budget. Due to the pandemic a number of these were identified as unachievable in year. The Medium Term Financial Strategy addressed some of the unachievable savings targets for the 2021/22 budget and a total of £2.846m (including OCO stretch targets) was achieved in the 2020/21 outturn position. Those savings targets which weren't achieved last financial year have been rolled forward and added to this financial years targets.

#### One Commissioning Organisation Savings Programme

The £3.374m 21/22 OCO/Public Health savings programme is forecast to achieve £3.046m which is a savings shortfall of £0.328m. However, work is ongoing with OCO Operational teams to finalise the current savings achieved regarding reviews of ongoing care packages and following this work it is expected that the current savings shortfall will reduce by at least £0.1m. Any remaining savings shortfall is expected to be achieved in the current financial year.

#### Children and Young People Savings Programme

The £1.216m 21/22 CYP savings target is currently forecast to achieve £1.154m which represents a shortfall of £0.062m. CYP Senior Leadership Team and finance colleagues are proactively identifying sufficient mitigations to address this in addition to finding further mitigations to offset the risk of cost pressures being faced specifically impacting on Children's Social Care. The mitigations identified to be delivered during 21/22 will be factored into the quarter 3 and subsequent forecasts.

#### Department of Operations

Civic venues will not achieve the saving put forward of £0.132m as Cabinet agreed not to close according to the original proposal. Once the requirement to use as vaccination centres is over, there will be a partial reopening. A restructure has been designed to remove as much of the existing costs as possible, which is still being evaluated. Mitigation will partly come from identifying savings in other areas of Commercial Services. The Waste savings have not yet been achieved due to operational problems with the implementation of the new rounds. Unmet savings are mitigated by utilising Waste reserves.

#### Authority Wide

The Business Support aspect of the transformation review has progressed in-year through to the current live consultation. The full year cashable saving in respect to this review, is £0.900m, will not be achieved in this financial year and it is anticipated following the completion of the consultation, any consequential changes to proposals made, and implementation of the transformed structure, will deliver approximately £0.150m in 2021/22. The full year saving will therefore be factored into 2022/23 onwards.

## 14. Reserves

- 14.1 At the end of 2019/20 the council's useable reserves were £51.063m, these have increased to £74.849m at the end of 2020/21, subject to audit. Reserves have increased largely as a consequence of the benefit from the review undertaken in 2019/20 which released £10m from the collection fund and the decision made as part of 2020/21 budget setting to create a £5.8m transformation reserve. There is also a discretionary change in the accounting treatment of the deficit on the DSG which applies for the financial years 20/21-22/23 which separates the deficit from the Council's general fund

**Table 10**

Analysis of Reserves at 30 September 2021	
	£M
General Reserves	34.241
Directorate Risk Reserves	3.512
Volatility and Fiscal Risk	37.096
<b>Total Management of Risk Reserves</b>	<b>74.849</b>
COVID-19 Related Grants	10.523
Corporate Priorities	14.013
External Funding/Grants	43.349
<b>Total Earmarked Reserves</b>	<b>67.885</b>
<b>TOTAL COUNCIL RESERVES</b>	<b>142.734</b>
<b>School Reserves</b>	
Individual School Budgets	8.845
DSG Central Reserve	(21.407)
<b>TOTAL SCHOOL BUDGETS</b>	<b>(12.562)</b>
<b>TOTAL RESERVES</b>	<b>130.172</b>

The level of reserves increased over the last financial year and are available to support the Council in managing the financial risks going forward. Some significant grants were received at the end of the 2020/21 financial year relating to COVID-19 and are therefore fully committed and will be fully utilised in 2021/22. Monitoring of reserves is a key part of the overall financial strategy to manage the impact of COVID-19 in 2021/22 and future years.

## 15 OTHER BUDGETS

### Schools

15.1 The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be spent on schoolsrelated activity as set out in the Schools and Early Years Finance (England) Regulations 2020. The Schools Budget includes funding for a range of educational and support services provided on an authority wide basis as well as Individual Schools Budget (ISB). The Schools' Forum recommend the allocation of funding to schools and academies through the application of the funding formula.

15.2 The DSG has 4 main blocks:

Block	2021/22 Budget
	£m
Schools	139.599
High Needs	36.398
Early Years	14.064
Central Support Services	0.952
<b>TOTAL</b>	<b>191.013</b>

15.3 In addition to the DSG, schools and academies also receive external funding from grants including:

<b>Estimated External Funding 2021/22</b>	
	<b>£m</b>
Pupil Premium Grant	9.059
Universal Infant Free School Meals Grant	2.074
Primary PE and Sport	1.045
Covid-19 Catch Up, Recovery, Summer Schools	3.214
Devolved Formula Capital	0.797
High Needs Capital	3.781
<b>TOTAL</b>	<b>19.970</b>

- 15.4 From 2019/20 the Department for Education (DfE) required all councils to complete a recovery plan should their overspend on the DSG exceed 1%. Given the scale of Bury's DSG deficit, which was estimated to accumulate to over £26m by the end of 2020/21, the Council has entered into a formal agreement 'Safety Valve' with the DfE.
- 15.5 The Safety Valve agreement sets out a 5 year timeline in order to ensure SEND transformation and DSG deficit recovery priorities can be sustained from 2025. These priorities include:
- 15.5.1 Strengthen Special Educational Needs assessment and placements process, including clarifying assessment thresholds for Education Health and Care Plans (EHCP) by March 2022. This should include reviewing transition arrangements for children and young people throughout 2021-22.
- 15.5.2 Ensure robust planning for future provision, including reducing the use of independent school placements by increasing the availability and suitability of local provision within Bury. This should include developing a model for forecasting future needs by March 2022.
- 15.5.3 Improve quality and timeliness of management information to enable evaluation of impact of central services.
- 15.5.4 Support and drive schools in Bury to meet a higher level of need in a more cost-effective way within mainstream settings, while maintaining the quality of provision. Develop a culture in which demand is more effectively managed throughout the authority.
- 15.5.5 Remodel financial practice to ensure accurate contributions from appropriate funding sources, by December 2021.
- 15.6 Guidance on the treatment of DSG deficit reserves is included in the statutory DSG Conditions of Grant which states that the LA must co-operate with the DfE in accordance with the provisions specified. These Conditions include, but are not limited to, communication, information sharing, meeting DfE officials as and when requested, deficit recovery, LA and external audit reporting requirements, and repayment of the DSG if the LA does not comply with DfE and external audit requirements.
- 15.7 The Safety Valve Agreement and Monitoring requirements outline the commitment required by Bury to address the deficit through SEND transformation and the review of all associated financial aspects.

A robust programme delivery plan has been developed and is actively progressing the following workstreams:

- Developing the governance arrangements for the delivery of the transformation programme
  - Developing a robust communication strategy and plan, mapping out key partners and stakeholders
  - Developing a resource plan, aimed at building internal capacity and capability in key areas including SEND, data and specialist posts.
  - Developing a new banding system for allocating high needs funding
  - Developing project briefs for each of the workstreams to enable us to move towards the next phase of the SEND transformation programme.
- 15.8 The Safety Valve agreement has enabled Bury to secure an additional £20m DSG. This additional DSG is profiled to be allocated across 5 years in

accordance with the Safety Valve agreement.

- 15.9 The following highlights the current and indicative forecast position on the DSG deficit, indicating in brackets the additional DSG provided in each year:

15.9.1	DSG Deficit as at end 2019/20	£20.067m
15.9.2	DSG Deficit as at end 2020/21	£21.407m (£6m)
15.9.3	DSG Deficit as at end 2021/22	£19.764m (£4m)
15.9.4	DSG Deficit as at end 2022/23	£15.666m (£4m)
15.9.5	DSG Deficit as at end 2023/24	£9.507m (£3m)
15.9.6	DSG Surplus as at end 2024/25	£0.061m (£3m)

- 15.10 The DSG deficit originally forecast for 2020/21 was circa £20m, however increased in-year cost pressures for high-cost out of borough SEND placements, in-year increased capacity and associated high-cost banded placements at Bury's Maintained Special Schools, plus in-year top-up funding for increased volumes of EHCPs in Bury's Mainstream Schools and Academies, resulted in a higher deficit.

- 15.11 The pressures referred to in 6.10 are ongoing during 2021/22 and mitigating actions are being developed as part of the Safety Valve programme priorities. The mitigations include the transformation of Mainstream EHCP top-up funding, Special School banding levels, Inclusion Partnership funding, and review of all High Needs Block funding contributions to support services. The consideration of these mitigations will be subject to consultation with stakeholders and will result in the recovery profile at 6.9 being revised and submitted to the DfE for their approval.

- 15.12 The Safety Valve development with the DfE has also provided a further £3.781m additional High Needs Capital funding to Bury. This will be targeted as a priority to develop, enhance and increase in-borough specialist provision and places across Bury's Special Schools and Mainstream settings.

- 15.13 The agreement in place requires continued liaison and updates to the DfE. During October 2021 Bury has engaged in more detailed discussions with the DfE in respect to potential delays in the recovery of the DSG deficit when compared to the original profile submitted in February 2021. The DfE are aware of the revised recovery profile due to the increased cost pressures outlined in 6.10 above and have requested more detailed evidence and assurance of how the recovery will remain on track for 2025. This detail will be included in a report to the DfE to be submitted by 17 December 2021 and will be shared with Cabinet in due course.

## **16. COLLECTION FUND**

- 16.1 The increasing prominence of council tax and business rates in helping fund council services means that the collection fund is monitored on an ongoing basis. The current forecast position is an in-year deficit of £5.274m with a residual deficit brought forward from 2020/21 of £3.046m. (This is the difference between the statutory estimated deficit as at 15th January 21 and the outturn position) This is then adjusted for the year 2 mandatory spreading adjustment for the 2020/21 deficit of £1.068m bringing the overall forecast net

deficit to £9.388m. The council's share of the deficit is £9.750m and the Greater Manchester Combined Authority's share is a surplus of £0.362m (for police and fire and rescue services).

- 16.2 The proportionate shares for Business Rates and Council Tax mean that Greater Manchester Combined Authority have a 1% share of the Business Rates deficit and a 16% share of the Council Tax surplus resulting in a net surplus, whereas the council have a 99% share of the Business Rates deficit and a 84% share of the Council Tax surplus resulting in a net deficit.
- 16.3 The deficit on the collection fund is Covid related as a result of government mandated reliefs for retail and nursery establishments for which the Council is expected to receive increased compensatory grants of £7.570m which will partially mitigate when the Council is required to repay the deficit into the Collection Fund in 2022/23 per the Regulations.
- 16.4 The government also introduced the Taxation Income Guarantee scheme (TIG) to alleviate some of the impact of COVID on loss of income in the collection fund for 2020/21 and for Bury this was £2.474m.
- 16.5 The compensatory grant received in 2020/21 (£24.899m) and TIG amounts are held in reserves and will be released in 2021/22 to fund the repayment of the council's share of the deficit as required in the regulations. It is anticipated that £1.678m of this will remain available to be carried forward into 2022/23 to partially mitigate for the 2021/22 deficit which will be required to be repaid in 2022/23.
- 16.6 Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced for 2020/21, which (with the exception of the £24.899m Government grant funded Business Rate reliefs) gave the ability to smooth the impact of COVID related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 budget and future years budget estimates have been prepared using this new facility and the year 2 impact can be seen in the table below.
- 16.7 Currently, the position on Business Rates is particularly difficult to forecast due to the complexities of the various part year retail and nursery reliefs. 100% relief was available from April to the end of June when the available relief dropped to 66% for July to the end of March 22. Businesses are required to reapply for the 66% relief and the uptake has so far been lower than expected, this is likely to vary as the year progresses and can be backdated if the application is valid. The compensatory grant for the reliefs will be adjusted to fund the final total of reliefs.
- 16.8 It is hoped that the position will improve and that the forecast deficit will reduce during the remainder of the year, but more data will be required due to the volatility of this area.



**Table 11**

2021/22 Collection Fund Forecast Position as at 30 <sup>th</sup> September 2021			
	Council Tax	Business Rates	Total
	£m	£m	£m
Balance Brought Forward (deficit)	0.599	28.140	28.740
Prior Year estimated deficit repaid in year	(0.550)	(25.144)	(25.694)
Estimated (Surplus)/Deficit for the year	(3.730)	9.004	5.274
Year 2 of the spreading adjustment for 2020/21 deficit	0.526	0.542	1.068
<b>Balance Carried Forward (surplus (-) / deficit (+))</b>	<b>(3.155)</b>	<b>12.543</b>	<b>9.388</b>
<b><i>Distributed:</i></b>			
Bury Council	2.667	(12.417)	(9.750)
GMCA – Police and Crime Commissioner	0.344	0.000	0.344
GMCA – Fire and Rescue Service	0.143	(0.125)	0.018
<b>Total 2020/21 Deficit</b>	<b>3.155</b>	<b>(12.543)</b>	<b>(9.388)</b>

## 17 HOUSING REVENUE ACCOUNT

17.1 The Housing Revenue Account (HRA) is forecasting an operating deficit of £0.687m; further information is set out in the table below.

**Table 16**

2021/22 Forecast Revenue Out Turn Position – as at 30 September 2021			
Housing Revenue Account	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
<b><i>Income</i></b>			
Dwelling Rents	-30.421	-30.4	0.021
Non-Dwelling Rents	-0.193	-0.193	-
Other Charges	-1.038	-1.041	-0.003
<b>Total Income</b>	<b>-31.652</b>	<b>-31.634</b>	<b>0.018</b>
<b><i>Expenditure</i></b>			
Repairs and Maintenance	6.901	6.901	-
General Management	7.324	7.396	0.072
Special Services	1.391	1.374	-0.017
Rents, Rates and Other Charges	0.045	0.045	-
Increase in Bad Debts Provision	0.491	0.611	0.12
Capital Charge	4.861	4.683	-0.178
Depreciation	7.473	7.473	-
Debt Management Expenses	0.045	0.045	-
Contribution to/(from) reserves	-3.711	-3.711	-
<b>Total Expenditure</b>	<b>24.82</b>	<b>24.817</b>	<b>-0.003</b>

Net Cost of Services	-6.832	-6.817	0.015
Interest receivable	-0.047	-0.012	0.035
Principal Repayments	0	0	-
Revenue Contributions to Capital	6.846	7.516	0.67
Sub Total	6.799	7.504	0.705
Operating (Surplus)/Deficit	-0.033	0.687	0.72

17.2 The main changes resulting in the forecast deficit are:

- **Capital Charge** – the forecast reduction in expenditure reflects a lower pooled interest rate on historic HRA debt than was originally expected.
- **Revenue contributions to capital** – slippage (mainly Covid related) on Housing Capital Programme schemes in 2020/21 was higher than had been anticipated when the 2021/22 budget was set, therefore resources put into the HRA balances at the end of 2020/21 will need to be released to complete the programme in the current year.

17.3 As well as looking at the in-year financial position, it is useful to consider some of the other aspects of performance regarding the Housing Revenue Account. These are still to some degree being affected by the financial impacts resulting from the pandemic; this makes forecasting with any certainty very difficult.

- **Voids** The rent loss due to voids for April to September was on average 1.03% which is slightly worse than the 1% void target level set in the original budget. If this performance continues, there will be a reduction in rental income of £0.010m over the original budget. Six Town Housing continue to review the voids processes and the various factors affecting demand.
- **Arrears** The rent arrears at the end of September totalled £2.087m, an increase of 1.8% since the end of March. Of the total arrears £0.558m relates to former tenants and £1.529m relates to current tenants. An estimated £1.180m of current tenant arrears are in cases where either the under occupancy charge applies or the tenants are in receipt of Universal Credit rather than Housing Benefit; this is an increase of £0.114m from the start of the year.
- **Bad Debts** The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrears, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

The forecast increase in the required contribution to the Bad Debt Provision is based on an assessment of the arrears at the end of September and the potential change in arrears for the remainder of this financial year. This is very much an estimate based on current trends and expectations and is closely monitored.

- **Right to Buy Sales** The forecast for 2021/22 was set at 80, this being an increase of 34 on the level of sales assumed for Bury in the Government's self-financing valuation; the forecast is higher than in a usual year to reflect the

build-up of applications during 2020/21 resulting from operating restrictions under the pandemic. There have been 19 sales in the period April to September which is 5 more than at this point last year. The number of applications currently proceeding is significantly higher than at this point last year (151 compared to 111). Whilst the valuation service has been resumed through an external provider there is now a build-up of applications at later stages in the process, for example there are now 56 applications with Legal Services for completion. Given the current situation it is difficult to forecast how many applications will proceed to completion by the end of the financial year therefore the projections of rental income have been calculated based on the original sales forecast of 80; this will be reviewed again at the end of quarter 3.

**Write Offs** Bury is taking a review of monies owed to the council with a view of improving processes around debt and debt collection. Where payment is not forthcoming, action to recover is taken, where no further action can be taken to recover the outstanding balances, these are considered for write-off. Following a review of old debt, it was identified £247,004.57 was owed to us from Bury PCT.

Provision for old Debt is held on the balance sheet and provided for due to the age of the debt. The older a debt is the less probability there is of recovery, so more provision is made.

Bury PCT ceased to exist as a legal entity in 2013 and therefore we are asking cabinet to approve the write off totalling £247,004.57.

## 18 CAPITAL PROGRAMME

Timeline of Funding for the Capital Programme for 2021/22					
	Original Budget 2021/22	Approved Slippage 2021/22	Approved Adjustments 2021/22	Proposed adjustments 2021/22	Revised Budget 2021/22
	£m	£m	£m	£m	£m
Capital Programme 2021/22	74.346	13.297	22.922	2.841	113.407
Funded By:					
External Funding and Contributions	-12.386	-2.628	-22.922	-2.791	-40.727
Use of Capital Receipts	-0.29	0			-0.29
Prudential Borrowing	-48.289	-7.995			-56.284
General Fund and Reserves	-0.35	-0.204		-0.05	-0.604
Housing Revenue Account	-3.201	-0.143			-3.344
Major Repairs Reserve	-9.83	-2.328			-12.158
TOTAL	-74.346	-13.297	-22.922	-2.841	-113.407

- 18.1 The Council's capital programme was approved to a total of at £74.307m on its 24<sup>th</sup> of February budget meeting with a small adjustment of £0.039m to Children's Services grants as reported at Quarter 1 resulting in a total original budget of £74.346m.

- 18.2 Cabinet approved a slippage figure of £13.297m at Quarter 1 to enable the continuation of schemes started during 2020/21 into 2021/22. Cabinet was also informed of late announcements from Government departments for capital grant funding allocated to the Authority in the current year, and of a grant received after a successful bid from the council. A total of £22.922m grant funding is now included in the programme, as an approved adjustment in the year. The Bid included was for the Public Sector Decarbonisation Grant.'
- 18.3 The total revised capital programme currently stands at £113.407m, pending approval of an increase of £2.841m as detailed below.

## 19 New Grants received during Quarter2

Grant Received	
Levelling up fund (LUF)	0.250
decarbonisation programme	0.012
High Needs funding	0.500
GMCA's Integrated Transport Plan	0.890
Brownfield Grant	0.973
Schools' conditions and Basic need	0.076
High Needs Provision Capital Allocation (HNPCA) grant	0.090
* General Fund and Reserves (approved)	0.050
<b>Total grant Received</b>	<b>2.841</b>

- 19.1 The approved capital budget is proposed to be revised to take account of all resources available to date to a total of £113.407m.
- 19.2 This is an ambitious programme and the largest value ever undertaken by the Council to invest in Bury townships. It is expected to grow further with the LUF support from the Government to deliver Regeneration schemes across the borough:
- A re-profiling of the programme will be discussed at the Capital Gateway groups and presented to Cabinet at Quarter 3, to consider the impact of new announcements and the timeframe to deliver on budgets proposed to spend in the next and future years.
- 19.3 Full details on the (proposed) revised Capital programme for 2021/22 at Quarter2 are set out in Appendix 1 and a summary of the key elements are as follows:

## 8.1. Expenditure and forecast 2021/22

Capital Theme	Original Budget	Approved Slippage	Approved Adjustments	Proposed new funding	Revised Budget	Forecast	Expenditure to September
Capital Scheme	2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22
	£m	£m	£m	£m	£m	£m	£m
Regeneration	18.339	3.213	1.000	0.250	22.802	7.459	5.890
Place Shaping / Growth	1.108	0.267	-1.000	0.000	0.375	0.790	0.303
Sport and Leisure	2.151	0.573	0.000	0.003	2.726	2.861	1.152
Operational Fleet	7.430	2.127	0.000	0.000	9.557	3.214	2.827
ICT	4.984	-0.765	0.000	0.000	4.219	1.627	1.627
Highways	14.092	3.432	2.545	0.890	20.959	3.234	2.517
Children and Young People	8.630	-0.267	9.800	0.666	18.829	5.066	1.433
Estate Management - Investment Estate:	0.200	0.077	0.000	0.000	0.277	0.238	0.006
Estate Management - Corporate Landlord:	3.660	1.100	0.000	0.000	4.760	1.614	0.351
Communities and Wellbeing	0.389	1.029	2.077	0.000	3.494	1.947	0.368
Housing	13.031	2.278	0.000	1.023	16.332	15.925	2.712
Climate Change	0.332	0.235	8.501	0.009	9.077	9.004	0.702
<b>Total Capital Programme</b>	<b>74.346</b>	<b>13.297</b>	<b>22.922</b>	<b>2.841</b>	<b>113.407</b>	<b>52.979</b>	<b>19.887</b>

- 19.4 As at 30th September 2021, a total of £19.887m of capital expenditure had been made with the forecasted spend for the year to be £45.743m. A number of schemes had been delayed in 2020/21 due to the Covid 19 pandemic followed by the economic standstill and efforts are being made to seek all available resources to improve and deliver the programmes.
- 19.5 Discussions are ongoing with GMCA on the deliverability of the carbon reduction schemes due to the requirements to spend within year.
- 19.6 Further work is required to understand the current forecast outturn. The information within the table above doesn't correspond with anticipated work programmes therefore we need to understand the timings of cash flows and deliverables.

### Variances

- 19.7 All variances to the capital programme will be closely monitored and reported at quarter 3.

## Financing

19.8 The approved capital programme is fully financed as per resources approved at the February Budget meeting and subsequent Cabinet meetings since.

**Table 15**

Funding the (proposed) Revised Capital Programme 2021/22	
£m	
Capital Programme 2021/22	113.407
Funded By:	
External Funding and Contributions	-40.727
Use of Capital Receipts	-0.29
Prudential Borrowing	-56.284
General Fund and Reserves	-0.604
Housing Revenue Account	-3.344
Major Repairs Reserve	-12.158
<b>TOTAL</b>	<b>-113.407</b>

19.9 During 2020/21 *New Capital Gateway* processes were implemented and will continue for the 2021/22 financial year, to enable reviews of all new and existing schemes against corporate priorities and the Council's capital strategy.

The capital gateway process will embed effective monitoring and reporting arrangements whilst ensuring that:

- schemes are prioritised and presented to members for consideration at appropriate times during the year
- schemes are a strategic fit with corporate priorities
- adequate resources are identified at the start of the process to ensure sufficient capacity is available to deliver the projects within anticipated timescales
- effective monitoring is carried out so that any slippage or delays can be considered and reported
- effective project management practices are embedded for all projects

19.10 A review and update of the Council's capital strategy is also being carried out and will be presented to Cabinet at Quarter 3. This is particularly important in light of the work on the Bury2030 strategy and will ensure that the capital strategy is aligned to the future outcomes and objectives of the Council.

19.11 A significant amount of regeneration works is planned into the Council's capital programme and covers all major sites and areas across the Council. This work includes funding brought forward from the 2020/21 financial year. In addition to this, the Council has committed to the Radcliffe Generation Strategic Framework which requires significant funding over a 3-year period. This is likely to total £30m phased over 3 years and has been built into the programme from 2021/22. Separate governance arrangements including a Committee has been set up to oversee the Radcliffe SRF. Other key areas of regeneration across the borough include Prestwich Town Centre and the Bury Town Centre Masterplan.

## **20 NEXT STEPS AND CONCLUSION**

- 20.1 The financial position requires ongoing scrutiny and careful monitoring in order for the Council to recover its financial position and achieve its medium term financial strategy. Work is required during quarter 3 to ensure the capital programme supports the ambitious regeneration plans Bury has and to work with officers to ensure capital budgets support the strategic needs of the Borough.

## **21 Treasury Management Mid-year report**

- 21.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all authorities have been required to prepare a Capital Strategy which is to provide the following:-

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- An overview of how the associated risk is managed,
- The implications for future financial sustainability.

A report setting out our Capital Strategy will be taken to Council before 31<sup>st</sup> March 2022.

- 21.2 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:-

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

- 21.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue

Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is: Overview & Scrutiny Committee.

21.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2021/22 financial year to 30 September 2021;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22
- A review of the Council's borrowing strategy for 2021/22
- A review of any debt rescheduling undertaken during 2021/22
- A review of compliance with Treasury and Prudential Limits for 2021/22

21.5 This report fulfils the requirement to produce a mid-year review.

## **22 ECONOMIC UP-DATE (from Treasury Advisors)**

### **22.1 Economic update**

22.2 The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

22.3 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

22.4 **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

### **22.5 Interest rate Forecasts and Outlook**

22.6 The Council's treasury advisor, Link Asset Services, has provided the following forecast on 29<sup>th</sup> September 2021.



Link Group Interest Rate View		29.9.21									
		Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE		0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave eamings		0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave eamings		0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave eamings		0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB		1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB		1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB		2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB		2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

- 22.7 As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24. with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon
- 22.8 The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.
- 22.9 The Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.
- 22.10 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.
- 22.11 There is a balance of upside risks to forecasts for medium to long term PWLB rates.

## **23.0 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UP-DATE**

- 23.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by the Council on 17 March 2021.
- 23.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## **24 THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)**

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;

- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

#### 24.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget

<b>Capital Expenditure</b>	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate £m</b>
<b>Non-HRA</b>	61.315	97.905
<b>HRA</b>	13.031	15.502
<b>Total</b>	<b>74.346</b>	<b>113.407</b>

#### 24.2 Changes to the Financing of the Capital Programme

The table below shows the main strategy elements of the capital expenditure plans. The borrowing requirement shown will increase the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

<b>Capital Expenditure</b>	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate £m</b>
<b>Total capital expenditure</b>	<b>74.346</b>	<b>113.407</b>
<b>Financed by:</b>		
<b>Capital receipts</b>	<b>0.290</b>	<b>0.290</b>
<b>Capital grants</b>	<b>12.386</b>	<b>40.727</b>
<b>General Fund and Reserves</b>	<b>0.350</b>	<b>0.604</b>
<b>Major Repairs Reserve</b>	<b>9.830</b>	<b>12.158</b>
<b>Housing Revenue Account</b>	<b>3.201</b>	<b>3.344</b>
<b>Total financing</b>	<b>26.057</b>	<b>57.123</b>
<b>Borrowing requirement</b>	<b>48.289</b>	<b>56.284</b>

#### 24.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

	<b>2021/22 Original Estimate £m</b>	<b>2021/22 Revised Estimate £m</b>
<b>Prudential Indicator - Capital Financing Requirement</b>		
CFR – non HRA	168.481	165.776
CFR – HRA existing	40.531	40.581
Housing Reform Settlement	78.253	78.253
<b>Total CFR</b>	<b>287.266</b>	<b>284.61</b>
<b>Prudential Indicator - External Debt / the Operational Boundary</b>		
Borrowing	269.3	284.6
Other long term liabilities	5	5
<b>Total</b>	<b>274.3</b>	<b>289.6</b>

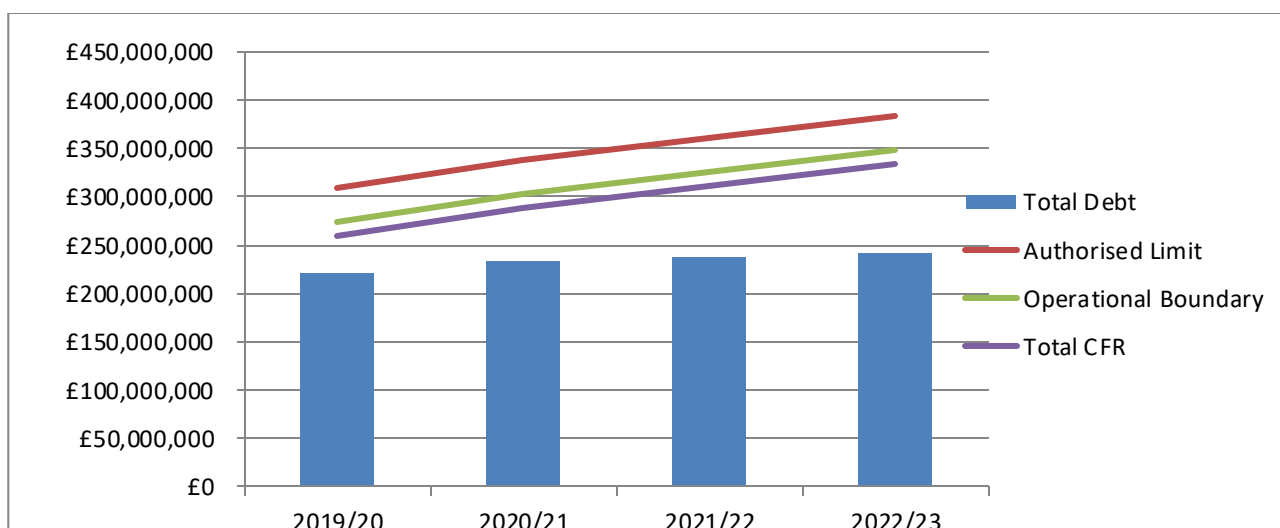
#### 24.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised Limit for External Debt</b>	<b>2021/22 Original Indicator £m</b>	<b>2021/22 Revised Indicator £m</b>
Borrowing	304.3	324.6
Other long term liabilities	5	5
<b>Total</b>	<b>309.3</b>	<b>329.6</b>

4.4.3 The chart below shows the projected trend of the Council's Prudential Indicators.



## 25 INVESTMENT PORTFOLIO 2021/22

25.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 17<sup>th</sup> March 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

25.2 As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020, until the MPC meeting on 24<sup>th</sup> September 2021 when 6 and 12 month rates rose in anticipation of Bank rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

25.3 The Council held £23.4m of investments as at 30 September 2021 (£15.9m at 31 March 2021) and the investment portfolio yield for the first six months of the year is 0.04% against a 3 month benchmark of -0.05%.

25.4 The investments held as at 30 September 2021 were:-

Type of Investment	£ m
Call Investments (Cash equivalents)	23.4
Fixed Investments (Short term investments)	0
<b>Total</b>	<b>23.4</b>

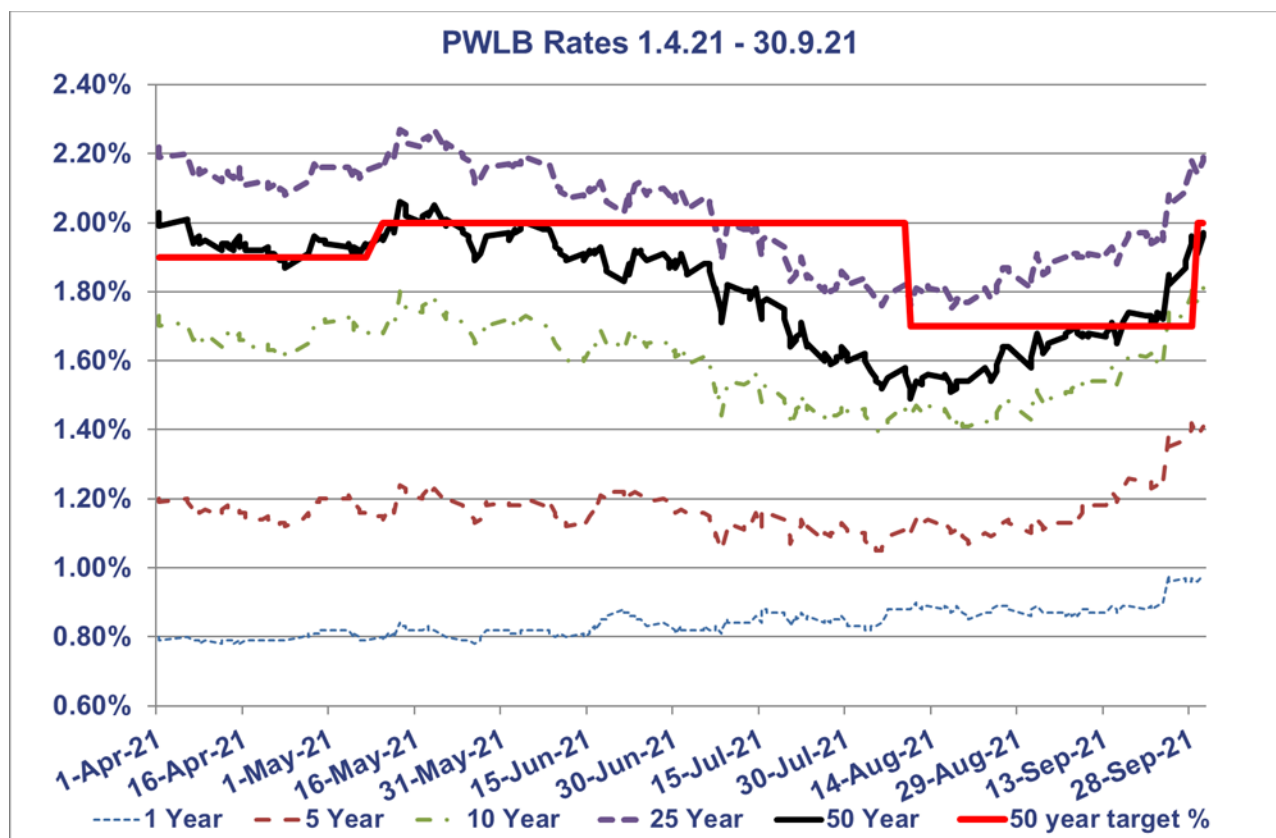
- 25.5 The Joint Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2021/22.
- 25.6 The Council's budgeted investment return for 2021/22 is £0.1m, and performance for the year to date is in line with the budget.
- 25.7 The Cabinet have approved a "Property Investment Strategy" which aims to increase investment income by investing in property rather than investing with financial institutions where returns are low at present. Additional borrowing may need to be undertaken to finance property acquisitions; each investment will be subject to a robust business case and also non-financial factors (e.g. ethical stance) will be considered.

## 26 BORROWING

- 26.1 The Council's capital financing requirement (CFR) for 2021/22 is £288.7m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table below shows the Council has borrowings of £207.2m and has utilised £81.4m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevail.

		1st April 2021			30-Sep-21		
		Principal		Avg. Rate	Principal		Avg. Rate
		£M	£M		£M	£M	
Fixed rate funding							
	PWLB Bury	133.885			133.979		
	PWLB Airport	11.828			11.828		
	Market Bury	60.3	206.013		55.3	201.107	
Variable rate funding							
	PWLB Bury	0			0		
	Market Bury	0	0		0	0	
Temporary Loans / Bonds		0.003	0.003		0.003	0.003	
Total Debt		206.016		3.70%	201.11		3.53%
Capital Financing Requirement			274.745			284.61	
Over/(under) borrowing			-68.729			-83.5	
Total Investments			15.92	0.13%		23.43	0.04%
Net Debt			190.096		177.68		

- 26.2 External borrowing of £2.3m has been undertaken from the market during the first 6 months of 2020/21. 1 loan was taken to take advantage of low interest rates. Additional external borrowing will be required during the remainder of this financial year.
- 26.3 The graph below shows the movement in PWLB certainty rates for the first six months of the year to 30.09.21.



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	0.78%	1.05%	1.39%	1.75%	1.49%
<b>Date</b>	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
<b>High</b>	0.98%	1.42%	1.81%	2.27%	2.06%
<b>Date</b>	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
<b>Average</b>	0.84%	1.16%	1.60%	2.02%	1.81%
<b>Spread</b>	0.20%	0.37%	0.42%	0.52%	0.57%

## 27 DEBT RESCHEDULING

- 27.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling was undertaken during the first six months of 2021/22.

### Report Author and Contact Details:

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### Links with the Corporate Priorities:

A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

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### Equality Impact and Considerations:

*Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

*The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of*

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### Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The council is unable to manage its finances.	The content of the report supports the Council in managing the overall financial risks and financial planning for the Council.

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### Legal Implications:

There are no legal implications however it is good governance to receive regular updating reports this is in line with our financial framework as set out in the Council constitution.

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### Financial Implications:

The financial implications are set out in this report

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## Appendix 1

<b>Capital Theme</b>	<b>Original Budget</b>	<b>Approved Slippage</b>	<b>Approved Adjustments</b>	<b>Proposed Adjustments (new funding)</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>Expenditure to September</b>
Capital Scheme	2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22
	£m	£m	£m	£m	£m	£m	£m
<b>Radcliffe Regeneration</b>							
Radcliffe Market Chambers	0.090	0.010			0.100	0.050	0.000
Radcliffe Town Centre					0.000		0.000
Radcliffe Library Refurbishment	0.000	-0.015			-0.015	0.000	0.000
Radcliffe Regeneration (includes acquisitions)	16.100	0.028	-3.860	0.250	12.518	2.094	2.094
Radcliffe Regeneration Action Plan	0.115	0.115			0.230		0.000
Radcliffe Hub Pre Development	0.729	0.000			0.729		0.000
Radcliffe Leisure – Design etc	0.250	0.000			0.250	0.800	0.000
Radcliffe Programme Management	0.200	0.000			0.200	0.200	0.000
<b>Sub Total Radcliffe Regeneration</b>	17.484	0.138	-3.860	0.250	14.012	3.144	2.094
<b>Prestwich Regeneration</b>							
Prestwich Services Hub	0.075	0.000			0.075	0.000	0.000
Strategic Acquisition	0.000	0.300	3.860		4.160	3.692	3.692
Prestwich Urban Village	0.000	0.136	1.000		1.136	0.200	0.062
Prestwich Regeneration	0.000	1.128			1.128		
<b>Sub Total Prestwich Regeneration</b>	0.075	1.564	4.860	0.000	6.499	3.892	3.754
<b>Ramsbottom Regeneration</b>							
Ramsbottom Town Plan	0.180	0.000			0.180		0.009
Upper Floor Development	0.000	0.200			0.200		0.000
Ramsbottom Market Chambers	0.120	-0.057			0.063	0.043	0.000
<b>Sub Total Ramsbottom Regeneration</b>	0.300	0.143	0.000	0.000	0.443	0.043	0.009
<b>Bury Regeneration</b>							
Bury Market/Wider Market Area	0.030	0.005			0.035	0.055	0.015
Bury Business centre	0.050	-0.015			0.035	0.035	0.000
Elizabethan Suite Update	0.000	0.080			0.080		0.000
Bury Town Centre Masterplan Civic Centre Phase 1	0.000	1.360			1.360	0.112	0.080
<b>Sub Total Bury Regeneration</b>	0.080	1.431	0.000	0.000	1.511	0.202	0.094



<b>Commercial Sites Regeneration</b>							
Commercial Sites (Bradley Fold) Regeneration	0.300	-0.023	-0.100		0.177	0.077	0.000
Radcliffe SRF	0.000	0.000			0.000		0.001
Chamber Hall Phase 2	0.100	0.000	0.100		0.200	0.100	0.000
<b>Sub Total Commercial Sites Regeneration</b>	<b>0.400</b>	<b>-0.023</b>	<b>0.000</b>	<b>0.000</b>	<b>0.377</b>	<b>0.177</b>	<b>0.001</b>
<b>Refurbishment of Bury Market</b>							
Refurbishment of Bury Market	0.000	-0.040			-0.040		-0.063
<b>Sub Total Refurbishment of Bury Market</b>	<b>0.000</b>	<b>-0.040</b>	<b>0.000</b>	<b>0.000</b>	<b>-0.040</b>	<b>0.000</b>	<b>-0.063</b>
<b>TOTAL - Regeneration</b>	<b>18.339</b>	<b>3.213</b>	<b>1.000</b>	<b>0.250</b>	<b>22.802</b>	<b>7.459</b>	<b>5.890</b>
<b>Place Shaping / Growth</b>							
Prestwich	0.000	0.064			0.064	0.014	0.000
Radcliffe	0.077	-0.026	0.120		0.171	0.121	0.014
Whitefield	0.071	0.000			0.071		0.000
Place shaping / Growth programme	0.000	0.235	-1.120		-0.885		0.000
Other Development Schemes	0.960	-0.006			0.954	0.655	0.289
<b>TOTAL - Place Shaping / Growth</b>	<b>1.108</b>	<b>0.267</b>	<b>-1.000</b>	<b>0.000</b>	<b>0.375</b>	<b>0.790</b>	<b>0.303</b>
<b>Sport And Leisure</b>							
Parks and Green Space Strategy	0.450	0.370			0.820	1.131	0.295
Play Area Strategy	0.251	0.178			0.429	0.429	0.076
Outdoor Gyms	0.000	0.120			0.120	0.120	0.000
Access, Infrastructure and Quality Parks	0.000	0.228			0.228	0.228	0.064
Grass Pitch Vert Draining	0.000	-0.015			-0.015		0.000
Leisure Gym Equipment Upgrade	0.000	0.248			0.248	0.248	0.183
Bury Athletics Track	0.000	0.077			0.077	0.077	0.028
Flood Repair 3 G Pitch	0.000	0.047			0.047	0.003	0.003
3G Pitch Radcliffe	0.400	-0.031			0.369	0.010	0.009
3G Pitch at Goshen	0.000	0.669			0.669	0.010	0.003
Sustainable Tennis Strategy	0.400	-0.074		0.023	0.349	0.314	0.217
Match Fund Football Grants	0.150	0.000			0.150		0.000
Non Turf Cricket Pitch		0.000			0.000	0.072	0.000
Flood Repair and Defence	0.101	-1.361			-1.260	0.004	0.259
Environmental Works	0.000	0.031		0.003	0.034		0.000
Parks	0.249	0.086		-0.023	0.312	0.116	0.015
Muslim Burial Site Extension	0.050	0.000			0.050		0.000
Leisure Health and Safety Improvements	0.100	0.000			0.100	0.100	0.000
<b>TOTAL - Sport and Leisure</b>	<b>2.151</b>	<b>0.573</b>	<b>0.000</b>	<b>0.003</b>	<b>2.726</b>	<b>2.861</b>	<b>1.152</b>

<b>Operational Fleet</b>							
Vehicle Replacement Strategy	7.260	2.083			9.343	3.000	2.617
Grounds Maintenance Equipment	0.170	0.044			0.214	0.214	0.209
<b>TOTAL - Operational Fleet</b>	<b>7.430</b>	<b>2.127</b>	<b>0.000</b>	<b>0.000</b>	<b>9.557</b>	<b>3.214</b>	<b>2.827</b>
<b>ICT</b>							
ICT Projects	4.984	-0.033			4.951	1.137	1.137
GM Full Fibre Project	0.000	-0.732			-0.732	0.490	0.490
<b>TOTAL - ICT</b>	<b>4.984</b>	<b>-0.765</b>	<b>0.000</b>	<b>0.000</b>	<b>4.219</b>	<b>1.627</b>	<b>1.627</b>
<b>Highways</b>							
Highways Investment Strategy – Tranche 2	4.000	0.000			4.000		0.000
Cycling and Walking Routes Mayors Challenge	0.025	2.745			2.770	0.295	0.149
Growth Deal	0.000	0.711			0.711		0.000
Mobile Speed Signs	0.000	0.035			0.035		0.000
Full Fibre Infrastructure	0.000	0.520			0.520		0.000
Weather Station and Road Surface Temperature Sensors	0.030	0.008			0.038		0.000
Street Lighting	3.028	0.360			3.388	1.000	0.025
Traffic Calming and improvement	0.120	-0.127			-0.007	0.948	0.551
Traffic Management Schemes	0.000	0.127			0.127		0.000
Public Rights of Way	0.050	0.058			0.108	0.050	0.012
Highways Planned Maintenance	5.979	-2.862	1.414		4.531	0.861	1.751
Pothole Fund	0.688	1.897	1.131		3.716		0.000
ITB				0.890	0.890		0.000
Bridges	0.022	-0.039			-0.017	0.080	0.028
Road Safety	0.150	0.000			0.150		0.000
<b>TOTAL - Highways</b>	<b>14.092</b>	<b>3.432</b>	<b>2.545</b>	<b>0.890</b>	<b>20.959</b>	<b>3.234</b>	<b>2.517</b>
<b>Children and Young People</b>							
NDS Modernisation Including New Pupil Places	7.608	-0.011	9.567	0.596	17.760	4.842	1.081
Devolved Formula Capital	0.935	-0.119	0.309	-0.005	1.119	0.253	0.253
Targeted Capital Funding	-0.130	-0.121	-0.076	0.076	-0.251	-0.239	0.012
Special Provision Grant	0.217	-0.005			0.212	0.210	0.087
Condition Related Schemes – Schools	0.000	-0.011			-0.011		0.000
<b>TOTAL - Children and Young People</b>	<b>8.630</b>	<b>-0.267</b>	<b>9.800</b>	<b>0.666</b>	<b>18.829</b>	<b>5.066</b>	<b>1.433</b>
<b>Estate Management - Investment Estate:</b>							
Demolition of Former Fire Station Bury	0.000	0.127			0.127	0.087	0.002
177 & 179 The Rock	0.005	0.000			0.005	0.005	0.000
Portland and Chesham industrial Estate	0.010	0.000			0.010	0.010	0.000

Former Prezzo, Lytham	0.055	-0.050			0.005	0.006	0.005
Back Manor Street	0.050	0.000		-0.020	0.030	0.030	0.000
Tile Street	0.050	0.000		0.020	0.070	0.070	0.000
St Mary's Place	0.030	0.000			0.030	0.030	0.000
<b>TOTAL - Estate Management - Investment Estate:</b>	<b>0.200</b>	<b>0.077</b>	<b>0.000</b>	<b>0.000</b>	<b>0.277</b>	<b>0.238</b>	<b>0.006</b>
<b>Estate Management - Corporate Landlord:</b>							
FM Emergency Building New Major Repairs 21-22	0.200	0.000			0.200	0.200	0.000
Fernhill Gypsy and Traveller Site	2.760	0.360			3.120	0.200	0.000
Bradley Fold Welfare Facilities	0.400	0.190			0.590	0.677	0.161
Leisure Health and Safety Improvements	0.000	0.320			0.320	0.320	0.092
LED Lighting Installation	0.000	0.213			0.213	0.028	0.007
Seedfield Health and Safety	0.025	0.025			0.050	0.025	0.000
Bury Cemetery Upgrade of Welfare Facilities	0.040	0.008			0.048		0.000
Hoyles park Pavilion Demolition and Clarence Park Skateboard Park removal	0.050	-0.007			0.043		0.000
Springwater Park Land Slip	0.185	-0.021			0.164	0.164	0.092
Coroner's Service	0.000	0.013			0.013		0.000
<b>TOTAL - Estate Management - Corporate Landlord:</b>	<b>3.660</b>	<b>1.100</b>	<b>0.000</b>	<b>0.000</b>	<b>4.760</b>	<b>1.614</b>	<b>0.351</b>
<b>Communities and Wellbeing</b>							
Older People	0.305	-0.014			0.291	0.009	0.009
Improving Information Management/ Controcc Software	0.057	-0.019			0.038		0.000
Disabled Facilities Grant	0.000	0.754	2.077		2.831	1.938	0.359
Neighbourhood Working	0.000	0.218			0.218		0.000
Planning Other Schemes	0.000	0.023			0.023		0.000
Other Development Schemes	0.027	0.000			0.027		0.000
Environmental Works	0.000	0.067			0.067		0.000
<b>TOTAL - Communities and Wellbeing</b>	<b>0.389</b>	<b>1.029</b>	<b>2.077</b>	<b>0.000</b>	<b>3.494</b>	<b>1.947</b>	<b>0.368</b>
<b>Housing</b>							
Housing HRA	12.254	2.328		0.017	14.598	14.078	1.692
HRA Disabled Facilities Adaptations	0.777	0.143		-0.017	0.903	0.903	0.264
Empty Property Strategy	0.000	0.204			0.204		0.000
Next Steps Accommodation	0.000	-0.137			-0.137	0.000	-0.012

Programme							
Housing Development	0.000	-0.260		1.023	0.763	0.944	0.768
<b><i>TOTAL - Housing</i></b>	<b>13.031</b>	<b>2.278</b>	<b>0.000</b>	<b>1.023</b>	<b>16.332</b>	<b>15.925</b>	<b>2.712</b>
<b><i>Climate Change</i></b>							
Community Climate Capital Fund	0.000	0.187		-0.063	0.124	0.135	0.022
Climate Change Resilience Fund	0.140	0.060			0.200		0.000
Electric Charging Points	0.040	0.000		0.060	0.100	0.100	0.000
Glyosphate Alternative Equipment	0.000	0.050			0.050	0.050	0.042
Waste Management	0.000	-0.032			-0.032	0.083	0.012
Fly-Tipping	0.152	-0.029			0.123	0.123	0.017
Public Sector Decarbonisation	0.000	0.000	8.501	0.012	8.513	8.513	0.608
<b><i>TOTAL - Climate Change</i></b>	<b>0.332</b>	<b>0.235</b>	<b>8.501</b>	<b>0.009</b>	<b>9.077</b>	<b>9.004</b>	<b>0.702</b>
<b>Total Capital Programme</b>	<b>74.346</b>	<b>13.297</b>	<b>22.922</b>	<b>2.841</b>	<b>113.407</b>	<b>52.979</b>	<b>19.887</b>